TFSA Pension: How to Use Dividend Stocks to Get $330 per Month in Tax-Free Income

Description

Canadians of all ages are searching for ways to increase their pension earnings.

The cost of living is increasing for current retirees who might not get enough from their company pensions, CPP, and OAS payments.

Younger investors are channelling more funds into RRSP and TFSA portfolios as a way to make up for lower or non-existent pensions from their careers.

The generous defined-benefit pensions of the past are harder to find these days, and many people have no company pension at all due to the rise of contract work and the increasing desire to be self-employed.

The goal is to have numerous sources of income at retirement, and the TFSA is becoming a popular vehicle for generating additional cash flow. Canadians currently have up to $63,500 in contribution space in their TFSA. This is adequate to generate some decent income from a portfolio of top-quality dividend stocks.

Let's take a look at two companies that might be interesting picks today.

Bank of Nova Scotia

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS) recently raised its dividend after reporting solid results for fiscal Q3 2019. The company had previously delivered lukewarm numbers in the past few quarters, primarily due to last year's headwinds for the Canadian banking sector, and the costs associated with three large acquisitions.

Bank of Nova Scotia continues to expand its presence in Latin America with ongoing investments in Chile, Mexico, Peru, and Colombia. The four countries make up the Pacific Alliance trade bloc and are home to more than 230 million people.

Last year, the bank spent US$2.2 billion to buy a majority stake in BBVA Chile, a deal that doubled Bank of Nova Scotia's market share in the country to about 14%.

The move is part of a strategy to build a major banking presence in the region to service rising demand for loans and investment products as the middle-class expands.

In Canada, Bank of Nova Scotia beefed up its wealth management business with the purchase of two large independent players, MD Financial and Jarislowsky Fraser. The businesses are being rolled into a new global wealth management division at the bank.

Bank of Nova Scotia's dividend provides a 4.8% yield. The stock has enjoyed a nice bounce off the August lows, but still appears reasonably priced at 11 times trailing earnings.

Inter Pipeline

Inter Pipeline (TSX:IPL) operates oil sands pipelines, conventional oil pipelines, and natural gas liquids (NGL) extraction assets in Canada. The company also has a bulk liquids storage business in Europe.

The stock is down amid the broader malaise in the energy sector, but cash flow remains adequate to cover the dividend.

On the growth side, IPL is building a $3.5 billion polypropylene plant that will convert propane to plastic used for manufacturing a wide variety of finished products.

Management is considering the sale of the European business to fund part of the capital program. This would alleviate some concern that IPL might be taking on too much debt to get the Heartland Petrochemical Complex completed. The project is expected to begin operation in late 2021.

Earlier this year, Inter Pipeline refused an unsolicited offer for the company that was $30 per share, according to a media report. IPL currently trades at $22.25 at writing, so there could be some nice upside on another bid.

In the meantime, investors can pick up a monthly dividend that has an annualized yield of 7.7%.

The bottom line

Bank of Nova Scotia and IPL appear cheap today and pay attractive dividends. An equal split between the two stocks would provide an average yield of 6.25%.

On a $63,500 TFSA portfolio holding these companies, or a basket of stocks that provide a similar yield, an investor could generate $3968.75 per year, or $330 per month in additional tax-free income.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/04
Date Created
2019/10/07
Author
aswalker